

# **FISCAL NOTE**

## **SB 540 - HB 1845**

February 26, 2003

**SUMMARY OF BILL:** Suspends the state and local option sales taxes on the first Friday in August of each year for 72 hours.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$100,000,000**  
**Increase State Expenditures -Less than \$100,000 - One-Time**

**Decrease Local Govt. Revenues - Exceeds \$25,000,000**

#### **Other Fiscal Impact:**

**Sales tax collections for FY02-03 are estimated to decline, as consumers will postpone purchases of large ticket items that might have occurred in FY02-03.**

**Some of the savings to consumers may be spent on taxable items, which would lessen the impact on state revenues, however the amount of such impact cannot be determined.**

Estimate assumes:

- The decrease in state revenues is based upon revenue projections for FY03-04.
- The estimated average sales tax collections per day in FY03-04 are projected to be  $\$5,578,600,000 / 365 = \$15,283,835.62$ .
- The average sales tax collection amount for 3 days is projected to be approximately \$45,850,000.
- Because the suspension of sales taxes is expected to significantly influence consumer purchasing during the 3-day sales tax suspension period, sales are expected to be more than twice the normal amount. Therefore, the decrease in sales tax revenues to state government is estimated to exceed \$100,000,000.
- The decrease in local government revenues is based upon average estimated collections per day of \$4,200,000. This estimate is based on an average local option tax rate of 2.4% and also considers the local option cap of \$1,600. The average 3-day local sales tax collections are estimated to be \$12,600,000. Because the suspension of sales taxes is expected to significantly influence consumer purchasing during the 3-day sales tax suspension period, sales are estimated to be more than double the normal amount. Therefore, the decrease in sales tax revenue to local governments is expected to exceed \$25,000,000.
- The mailing and systems changes costs to implement the plan are projected to be less than \$100,000.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director